

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Priority Mail Express International,  
Priority Mail International,  
First-Class Package  
International Service &  
Commercial EPacket Contract 4

Docket No. MC2020-165

Competitive Product Prices  
Priority Mail Express International,  
Priority Mail International, First-Class Package  
International Service &  
Commercial EPacket Contract 4  
(MC2020-165)  
Negotiated Service Agreement

Docket No. CP2020-188

Public Representative Comments On  
USPS Request to Add Priority Mail Express International, Priority Mail International,  
First-Class Package International Service & Commercial E-Packet Contract 4 to  
Competitive Product List  
(June 23, 2020)

**I. Introduction**

The Public Representative hereby provides comments pursuant to the Commission Notice initiating this docket.<sup>1</sup> In that Notice, the Commission established the above-referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's request to add Priority Mail Express International (PMEI), Priority Mail International (PMI), First-Class Package

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<sup>1</sup> PRC Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 16, 2020 (Notice).

International Service (FCPIS) & Commercial E-Packet (CeP), Contract 4 (Contract 4) to Competitive Product List.<sup>2</sup>

Under 39 U.S.C. § 3642(b) the criteria governing Commission review are whether the products which comprise Contract 4: (1) qualify as market dominant, (2) are covered by the postal monopoly and therefore precluded from being classified as competitive products, and (3) whether the products which comprise Contract 4 reflect market considerations which support classifying them as competitive, including the nature and extent of private sector competition, the impact on small businesses, and the views of product users.

Moreover, pursuant to 39 U.S.C. § 3633(a), the criterion for the Commission's review are that the Postal Service's competitive prices established by Contract 4 must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that the net revenues from the competitive products which comprise Contract 4 are greater than or equal to the currently required minimum contribution towards the recovery of the Postal Service's institutional costs (minimum appropriate share).

## **II. Comments**

The Public Representative has reviewed the Postal Service's Request, Statement of Supporting Justification, Attached Contract, Certification of Compliance with 39 U.S.C. § 3633(a), and its proposed changes to the Mail Classification Schedule (MCS).<sup>3</sup> The Public Representative has also reviewed the supporting financial models for the contract filed separately under seal. Based on his review, the Public Representative recommends the Commission accept this proposed NSA.

The Postal Service makes a number of assertions that address the requirements of section 3642(b). *Request*, Attachment D. These assertions appear reasonable to the Public Representative. He concludes that Contract 4 satisfies the criteria of section 3642(b) concerning the classification of new competitive products.

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<sup>2</sup> Request of the United States Postal Service to Add Priority Mail Express International, Priority Mail International, First-Class Package International Service & Commercial E-Packet Contract 4 to Competitive Product List, Notice of Filing Materials Under Seal, Contract, and Supporting Data (Request), June 15, 2020.

<sup>3</sup> See, Mail Classification Schedule, Posted January 21, 2018, (With Revisions Through July 15, 2018), at [https://www.prc.gov/sites/default/files/mcs/MCSBaseline01262020\\_0.docx](https://www.prc.gov/sites/default/files/mcs/MCSBaseline01262020_0.docx).

In addition, Contract 4 expects, but does not require, the NSA partner to generate a minimum amount of postage paid for mail after discounts have been applied to the products included in Contract 4 (Qualifying Mail).

Based upon a review of the financial model and the contract filed under seal with the Request, it appears that the negotiated prices for the products which comprise Contract 4 should generate sufficient revenues to cover attributable costs during the first year of the contract, and therefore comply with the requirements of 39 U.S.C. § 3633(a). The Postal Service's estimate of expected annual postage minus discounts is greater than the annual minimum revenue Contract 4 is expected to generate. The contract is expected to remain in effect for a period of one year beginning no later than 30 days after the date the contract is approved by the Commission.

The Contract will terminate approximately one year after being approved by the Commission. It also allows the Postal Service to petition the Commission for two, three month, extensions of the Contract, provided it notifies the Commission of the first extension at least seven days prior to the relevant expiration date.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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